

**REPORT OF THE AUDIT OF THE
HART COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period
April 26, 2008 Through April 15, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HART COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period
April 26, 2008 Through April 15, 2009

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Hart County Sheriff for the period April 26, 2008 through April 15, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$5,796,346 for the districts for 2008 taxes, retaining commissions of \$204,347 to operate the Sheriff's office. The Sheriff distributed taxes of \$5,593,141 to the districts for 2008 taxes. Taxes of \$303 are due to the districts from the Sheriff and refunds of \$2,670 are due to the Sheriff from the taxing districts.

Report Comment:

- Inventory In Transit Tax Omitted From Tax Bills

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2008 TAXES.....	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9
COMMENT AND RECOMMENDATION	13



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Terry Martin, Hart County Judge/Executive
Honorable Boston Hensley, Hart County Sheriff
Members of the Hart County Fiscal Court

Independent Auditor's Report

We have audited the Hart County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009. This tax settlement is the responsibility of the Hart County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Hart County Sheriff's taxes charged, credited, and paid for the period April 26, 2008 through April 15, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Terry Martin, Hart County Judge/Executive
Honorable Boston Hensley, Hart County Sheriff
Members of the Hart County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Inventory In Transit Tax Omitted From Tax Bills

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

October 13, 2009

HART COUNTY
BOSTON HENSLEY, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period April 26, 2008 Through April 15, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 548,484	\$ 705,193	\$ 2,735,920	\$ 682,806
Tangible Personal Property	62,810	102,307	284,531	308,368
Fire Protection	2,123			
Increases Through Exonerations	144	211	1,579	637
Franchise Taxes	81,367	126,635	332,602	
Oil and Gas Property Taxes	1,650	2,122	7,815	2,055
Limestone, Sand and Mineral Reserves	64	82	379	79
Penalties	5,114	6,582	24,916	6,499
Adjusted to Sheriff's Receipt	(1)	(6)	(55)	(1)
Gross Chargeable to Sheriff	701,755	943,126	3,387,687	1,000,443
<u>Credits</u>				
Exonerations	2,769	3,721	14,712	3,456
Discounts	9,765	13,070	47,813	16,052
Delinquents:				
Real Estate	13,412	17,201	65,349	16,655
Tangible Personal Property	193	314	756	1,290
Oil and Limestone	1,222	1,571	5,783	1,521
Franchise Taxes	6	9	25	
Total Credits	27,367	35,886	134,438	38,974
Taxes Collected	674,388	907,240	3,253,249	961,469
Less: Commissions *	28,949	37,292	96,956	41,150
Taxes Due	645,439	869,948	3,156,293	920,319
Taxes Paid	647,860	869,714	3,155,427	920,140
Refunds (Current and Prior Year)	144	184	718	179
Due Districts or (Refund Due Sheriff)		**	***	
as of Completion of Audit	\$ (2,565)	\$ 50	\$ 148	\$ 0

HART COUNTY

The accompanying notes are an integral part of this financial statement.

BOSTON HENSLEY, SHERIFF
 SHERIFF'S SETTLEMENT - 2008 TAXES
 For The Period April 26, 2008 Through April 15, 2009
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,026,906
4% on	\$	506,191
3.25% on	\$	2,375,797
2.25% on	\$	877,452

** Special Taxing Districts:

Library District	\$	38
Ambulance District		<u>12</u>
Due Districts	\$	<u><u>50</u></u>

*** School Districts:

Hart County School	\$	253
Caverna Independent School		<u>(105)</u>
Due School or (Refund Due Sheriff)	\$	<u><u>148</u></u>

HART COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Hart County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

HART COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Hart County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 2008 through April 15, 2009.

B. Limestone, Sand, and Mineral Reserves and Oil Taxes

The limestone, sand, and mineral reserves and oil tax assessments were levied as of January 1, 2008. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for the tax bills was November 13, 2008 through April 15, 2009.

Note 4. Interest Income

The Hart County Sheriff earned \$3,345 as interest income on 2008 taxes. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

Note 5. Sheriff's 10% Add-On Fee

The Hart County Sheriff collected \$35,287 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Hart County Sheriff collected \$4,435 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Terry Martin, Hart County Judge/Executive
Honorable Boston Hensley, Hart County Sheriff
Members of the Hart County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Hart County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009, and have issued our report thereon dated October 13, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hart County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Hart County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hart County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Inventory In Transit Tax Omitted From Tax Bills

This report is intended solely for the information and use of management, the Hart County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

October 13, 2009

COMMENT AND RECOMMENDATION

HART COUNTY
BOSTON HENSLEY, SHERIFF
COMMENT AND RECOMMENDATION

For The Period April 26, 2008 Through April 15, 2009

NONCOMPLIANCE:

Inventory In Transit Tax Omitted From Tax Bills

The Hart County Public Library and the Hart County Ambulance Service sent letters to the County Clerk setting 2008 tax rates for the Public Library and Ambulance Service districts, respectively. According to their letter, the Public Library decided to take the inventory in transit tax for 2008. The Ambulance Service was silent on the inventory in transit tax for 2008. However, the official receipt showed inventory in transit tax for the Public Library and Ambulance Service taxing districts were not included on the tax bills for 2008. The County Clerk and PVA could not explain why this tax was not billed on 2008 tax bills. According to our calculations, taxpayers should have been billed \$2,880 for the Public Library taxing district and \$2,230 for the Ambulance Service taxing district for inventory in transit for 2008. We recommend the Sheriff inform the Public Library, the Ambulance Service, and the County Attorney in order to determine whether action should be taken to bill this tax.

Sheriff's Response: None.

